



**TESTIMONY OF
Saint Francis Hospital and Medical Center
BEFORE THE COMMITTEE ON
HIGHER EDUCATION AND
EMPLOYMENT ADVANCEMENT
March 5, 2009**

Good Morning. I am Christopher Dadlez, and I am here to offer testimony on House Bill 6335 and against the creation of a Principal Clinical Partnership between the University of Connecticut and Hartford Hospital that requires a \$605 million investment by the State of Connecticut.

Saint Francis Hospital and Medical Center's Academic Commitment

Saint Francis Hospital and Medical Center has maintained a century-long commitment to the education of physicians and other health professions. We have sponsored residency programs since the 1950s, have been affiliated with the University of Connecticut School of Medicine for 40 years, and maintain teaching affiliations with the primary professional and technical schools in the region. Health professions education is at the core of our identity and Saint Francis recognizes health professions education as an essential element of quality care, patient safety, and provider satisfaction. **We have and we remain committed to helping the University of Connecticut School of Medicine to become a world-class medical school. In fact, we have increased our commitment to the UConn Medical School by:**

- **Creating a new position of Chief Academic Officer;**
- **Recruiting new physicians with national clinical and educational reputations;**
- **Supporting new initiatives to elevate both our educational and research endeavors.**

The UConn/Hartford Principal Partnership

It is in this spirit of commitment and reinvestment in health professions education that Saint Francis Hospital and Medical Center first reviewed the Solicitation of Interest from the University of Connecticut. The University stated in this solicitation that it sought three major features from its affiliate partners. Those features were:

1. "...A combination of the income statements and operations of the affiliated health system(s) and John Dempsey Hospital through a lease/joint operating agreement or other similar long term arrangement (a full asset merger is not contemplated).
2. A collaborative relationship between the affiliated health systems(s) and the UConn Medical Group, the group practice organization of the clinical faculty at UConn Health Center.
3. A nonexclusive set of academic program relationships, in both education and research, between the School of Medicine and the affiliated health system(s)..."

To achieve the University's vision of an affiliation, the Solicitation of Interest invited potential respondents to submit proposals that provided that the affiliate health system:

- "...Assumes responsibility for operation of John Dempsey Hospital, as part of their system wide operations.
- Agrees to support the clinical practice and clinical research success of the faculty.
- Provides the substantial financial support to the School of Medicine..."

The Solicitation of Interest from the University also went on to state what was included and excluded from the proposed affiliation.

From the University of Connecticut Health Center's point of view the following items were to be included in the affiliation, among them:

- Operating expenses associated with delivery of inpatient and outpatient services at John Dempsey Hospital, including related staff, supplies, patient care services, ancillary services, support services, and facility expenses.
- Salaries, fringe benefits and related support costs for graduate medical education programs operated at the John Dempsey Hospital..."

The Solicitation of Interest also stated: "...The UCHC employees involved in the affected operations will remain as state employees. Management of these employees will be in keeping with the existing collective bargaining agreements and under the supervision of the principal affiliate health system. Faculty employed by UCHC will also remain as employees of the University, under the authority of the Health Center leadership..."

The Solicitation of Interest further stated: "...It is not envisioned that a change in asset ownership or debt obligations relative to the involved operations will result from the proposed affiliation, except that cash flow for the capital investment costs associated with involved facilities and equipment will be provided to the University in the form of a lease payment as a condition of the joint operating agreement.

- Certain services (steam, utilities, etc.) will need to be purchased by the principal affiliate health system from the Health Center as a component of the operating agreement...”.

The solicitation also assured all hospital affiliates that “...the education program component of the affiliations relationship will be on a non-exclusive basis, as the University’s education program needs are such that multiple educational affiliations will be required into the foreseeable future. We expect to continue significant and important relationships as educational affiliates with systems which are not playing the role of principal affiliate”.

At no point in the Solicitation of Interest did the University offer to support injecting large amounts of state funds in construction of a new facility, nor was there a willingness expressed to combine the University Medical Group with any other institutional medical group or to provide large state subsidies to cover the costs of state employees after the creation of a new Principal Partnership. In addition, no separate venture capital funds were mentioned for which matching state dollars would be available to promote new ventures.

The original University of Connecticut Health Center Solicitation of Interest requested that any respondent to their proposal provide the capital and operating dollars needed to support the John Dempsey Hospital. **The current Hartford Hospital/UConn proposal does not meet the requirements of the original University Solicitation of Interest.**

After much due diligence and thorough consideration, Saint Francis did not see a financially responsible or viable way to proceed with a Principal Clinical Partnership given the parameters and specific requirements set out in the Solicitation of Interest. Rather, we developed an alternative approach to promise a world-class academic medical center through regional collaboration between the University of Connecticut and its affiliated teaching hospitals without creation of a principal partnership or requiring a major capital investment by the University of Connecticut or the state.

I believe it would be wise for the Governor and the Connecticut General Assembly to consider carefully the specifics of the Principal Partnership between the University of Connecticut Health Center and Hartford Healthcare Corporation in light of the original University of Connecticut Health Center’s Solicitation of Interest. The following points are of particular interest:

- The State of Connecticut will provide \$475 million to fund a new hospital in Farmington. If the state is willing to provide these dollars, why wasn’t that fact included in the University’s Solicitation of Interest? Saint Francis would have responded quite differently to the University solicitation if that fact had been known during the solicitation process.
- The University seeks funding for fringe differential for state employees at a rate of \$13 million a year, for at least ten years, whether they remained state employees or were required by federal law to modify their State employment

status. These new options did not appear in the original Solicitation of Interest and certainly would have affected the Saint Francis response had these facts been available early in the process.

- As a not-for-profit 501C(3) corporation and a critical part of the state's safety net for its poorest citizens, Saint Francis has embarked on a \$200 million renovation project. This project is designed to replace out-moded facilities with state-of-the-art buildings. This investment is part of our commitment to the community we serve and will be available to the University of Connecticut and our other teaching affiliates once completed. It is in no way contingent on being selected as the Principal Partner for the University. It is hard to believe that Hartford Hospital's planned \$300 million tower is contingent on their approval as the University's Principal Partner or that this tower would not be available to UConn if built whether the proposed Principal Partnership proceeds or not. In other words, it is not appropriate to consider the \$300 tower as part of Hartford Hospital's investment in the proposed partnership with the University of Connecticut.
- Both Hartford Hospital and the University of Connecticut have touted the proposed partnership as a means of turning one of the smallest academic hospitals, with approximately 250 beds, into one of the largest with 1,100 beds. This seems an issue of semantics. A new hospital in Farmington would remain at 250 beds. The other 850 already are at Hartford Hospital and would stay there. Let's put this in context: At present, the University of Connecticut already has 2,354 beds across its major teaching hospitals of Connecticut Children's Medical Center, Hartford Hospital, Hospital of Center Connecticut, and Saint Francis Hospital and Medical Center.
- If the state is going to form a venture capital company with Hartford Healthcare Corporation and invest money in technology investment at this time, it would seem that such an opportunity should have been mentioned in the Solicitation of Interest. We understand that both the University of Connecticut and Hartford Healthcare Corporation are very open to the participation of other hospitals – such as Saint Francis – but there may be additional interest as well. More importantly, within the region the MetroHartford Alliance is exploring models for collaboration in healthcare and their input as well as other possible participants would be vital should such an investment approach really be viewed as worth pursuing at this time. Other communities such as Life Science Alley (St. Paul, MN), CORTEX (Saint Louis, MO), Kansas Bio (Kansas City, KS), Bio Orlando (Orlando, FL), Cleveland Clinic & Partnership; Bio Enterprise (Cleveland, OH), University of Pittsburgh Medical Center (Pittsburgh, PA), Philadelphia International Medicine (PIM Philadelphia, PA), Partners Healthcare (Boston, MA), and Inland Northwest Health Services (INHS in Spokane, WA) are all examples of such joint partnerships and these are currently being explored by our business community under the sponsorship of the MetroHartford Alliance. Should the biotech development really be tied in some fashion to the proposed Principal Clinical Partnership participants?

- The Solicitation of Interest did not contemplate the merger of the University Medical Group with any other affiliated teaching hospital staff. Though somewhat convoluted that is exactly what it appears the current Hartford Hospital/University of Connecticut Principal Partnership now proposes.

We trust that after review of the above points the Governor and the Connecticut General Assembly will conclude that:

Instead of Hartford Hospital having to provide the capital for upgrading or replacing John Dempsey Hospital the **University now proposes that the state supply \$475 million to build a 250 bed replacement hospital. Yet, even the \$475 million dollar price tag stated in the UConn/Hartford proposal is just the tip of the iceberg. The true cost of financing a \$475 million dollar building project over a 30 year bond period is approximately \$1.5 billion state dollars.**

Rather than Hartford Hospital paying for the wages of state employees and preserving their union contracts, the **University proposes the state provide a \$13 million per year fringe benefit subsidy for at least ten years and supports privatization of a state asset.**

Today, the State of Connecticut and its hospital community face unprecedented financial challenges. One only has to pick up the local papers to read of the \$35.5 million loss at The Hospital of Saint Raphael's, the bankruptcy proceeding for Johnson Memorial Health System, layoffs at Gaylord Hospital, Waterbury Hospital, New Milford Hospital and Eastern Connecticut Health Network (ECHN), and cessation of merger talks between Waterbury Hospital and Saint Mary's Hospital, to mention just a few hospitals with significant financial woes. In fact, the Connecticut Hospital Association recently reported that in FY2008 statewide hospital margins hit a negative 1.1% which was a \$404 million drop between FY2007 and FY2008.

People often forget that Connecticut does not have a public hospital system to serve the poor; instead, it relies on its private hospital community to meet that need. Therefore, the \$605 million state investment proposed for the University of Connecticut Health Center/Hartford Hospital principal partnership must be viewed in the context of that greater hospital community's current economic crisis. **We simply cannot afford to spend this many precious state dollars on just two institutions.**

A Rational Alternative

We do not believe that implementing UConn/Hartford Hospital principal partnership is the only way to ensure the future success of the academic research and clinical enterprise known as the University of Connecticut Health Center.

We see a much more collaborative approach as equally likely to succeed. Saint Francis is a strong proponent of the Connecticut Health Education and Research Collaborative, which builds on our response to the Solicitation of Interest. With representatives from UConn, Connecticut Children's Medical Center, Hartford Hospital, the Hospital of Central Connecticut, and Saint Francis Hospital and Medical Center, this initiative can deliver tangible results that are free of bricks-and-mortar considerations for Dempsey Hospital. More specifically, we believe the Collaborative will:

- Enhance the coordination of medical and dental education across the continuum of training and practice.
- Support the Connecticut Institute for Clinical and Translational Science in efforts to expand research and research funding.
- Champion new efforts to develop and disseminate proven models of care, particularly for our underserved populations.
- Work to develop a state-of-the-art patient simulation program for teaching, assessment, and research.
- Facilitate recruitment and retention of outstanding faculty to advance the educational and research missions.
- Offer combined strategies for biomedical research and development that will create a vital economic engine in the region.

This collaborative model can easily be extended to the clinical arena. In fact, at this very moment the University of Connecticut School of Medicine is part of a system composed, not of 1,100 beds as the proponents of Hartford/UConn proposal suggest but of 2,354 licensed beds represented by the major teaching affiliates of the University of Connecticut, i.e., Connecticut Children's Medical Center, Hartford Hospital, The Hospital of Central Connecticut, and Saint Francis Hospital and Medical Center. We need to explore other ways to work more closely together clinically. It is very likely that such collaboration will lead to a viable solution that helps make UConn a world-class academic medical center while making the region a recognized destination for outstanding healthcare.

Given the national and state fiscal crisis we presently face we must act in a responsible fashion that conserves scarce public dollars and spends these dollars where they can do the most good. This project's \$605 million price tag is just too large.

Saint Francis urges you to reject the proposed Hartford Hospital/University of Connecticut Health Center Principal Partnership and call for all parties to perform further strategic collaborative planning to identify a more economically viable collaborative and community sensitive solution.